

**BOONE  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2004

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**BOONE COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2003 Election)

Jeffrey Anderson	President	2004
Jim Malloy	Vice President	2005
John Nerem		2003
Paulette Newbold		2005
Kirk Leeds		2004

(After September, 2003 Election)

Jeffrey Anderson	President	2004
Kirk Leeds	Vice President	2004
Stan Brandmeyer		2006
Jim Malloy		2005
Paulette Newbold		2005

**SCHOOL OFFICIALS**

Joseph Kirchoff	Superintendent
Mick Heath	District Secretary/ Treasurer

## Independent Auditor's Report

To the Board of Education of the  
Boone Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Boone Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Boone Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 10, 2005 on our consideration of Boone Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 31 through 32 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

**Bruce D. Frink**  
**Certified Public Accountant**

March 10, 2005

## **BOONE COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

This section of the Boone Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2004. Please read it in conjunction with the District's financial statements.

#### **2004 FINANCIAL HIGHLIGHTS**

- The District's General Fund balance increased by over \$26,000. This is the third consecutive year that the balance has increased. The District had revenues of \$18,262,139 and \$18,235,206 was spent during the year. A midyear decrease in state revenues prevented a larger increase.
- The District experienced a decrease in enrollment. The September 2002 enrollment was 2399.9, while the September 2003 enrollment was 2351.7.
- Revenues increased slightly from the prior year. This was due in large part to additional federal grant activity. Expenditures increased almost \$400,000 (2.24%) primarily due to increased health insurance costs and increased grant activity
- The District has decreased its discretionary spending in an effort to improve the financial condition of the District's General Fund.
- The District has actively pursued grants from various sources in order to enhance the District's course offerings.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements, and required supplemental information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Boone Community School District**

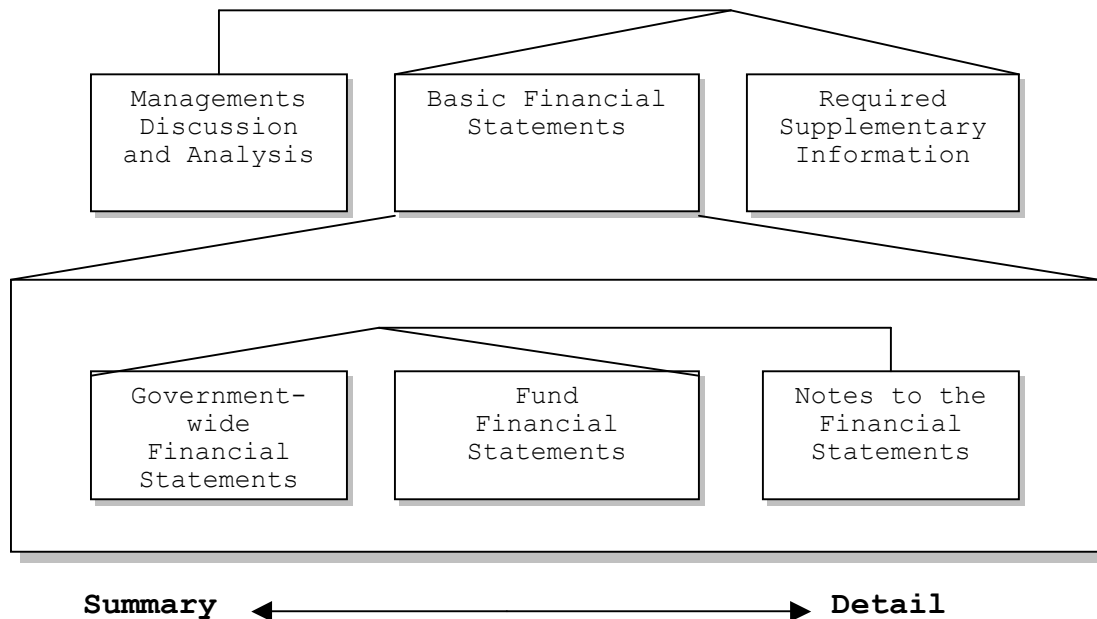


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## COMBINED BALANCE SHEET

The combined balance sheet shows the total assets, liabilities, and fund equity for all of the funds for the entire district for the 2003 fiscal year. The combined balance sheet shows three major fund types as well as the account groups: general fixed assets and the general long-term debt.

The government funds include: the general fund, special revenue, debt service, and capital projects. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, administration, and capital projects. Property taxes and state aid finance most of these activities.

The proprietary fund includes enterprise funds. The District's only enterprise fund is the school nutrition fund.

The fiduciary funds include: trusts and agencies. The District is the trustee or fiduciary for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from other types of funds because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-04</b>
	\$	\$	\$	\$	\$	\$	
Current assets	23,556	13,002	149	109	23,705	13,111	80.80%
Capital assets	8,336	8,405	29	21	8,365	8,426	-0.72%
<b>Total assets</b>	<u>31,892</u>	<u>21,407</u>	<u>178</u>	<u>130</u>	<u>32,070</u>	<u>21,537</u>	<u>48.91%</u>
Current liabilities	10,036	12,559	-	11	10,036	12,570	-20.16%
Non-current liabilities	14,015	1,065	-	-	14,015	1,065	1215.96%
<b>Total liabilities</b>	<u>24,051</u>	<u>13,624</u>	<u>-</u>	<u>11</u>	<u>24,051</u>	<u>13,635</u>	<u>76.39%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	7,270	7,155	29	21	7,299	7,176	1.71%
Restricted	651	227	-	-	651	227	186.78%
Unrestricted	(80)	401	149	98	69	499	-86.17%
<b>Total net assets</b>	<u>7,841</u>	<u>7,783</u>	<u>178</u>	<u>119</u>	<u>8,019</u>	<u>7,902</u>	<u>1.48%</u>

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards. It is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. These accounts are reflected as restricted assets on the balance sheet, but the reality may be that the District has no actual money borrowed to meet cash flow needs.

The District's combined net assets were slightly greater at June 30, 2004 than June 30, 2003. The combined effect of increased revenue and cost containment accounted for the increase.

The District's combined net assets were greater at June 30, 2004 than June 30, 2002. The increase occurred as a result of increased tax revenue from all sources.

**Changes in net assets** - Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	1,899	418	2,317
Operating grants, contributions and restricted interest	2,424	273	2,697
Capital grants, contributions and restricted interest	91	-	91
General revenues:			
Property tax	5,591	-	5,591
Income surtax	701		701
Local option sales tax	340		340
Unrestricted state grants	8,733	-	8,733
Unrestricted investment earnings	90	-	90
Other	26	-	26
Total revenues	<u>19,895</u>	<u>691</u>	<u>20,586</u>
Program expenses:			
Governmental activities:			
Instruction	13,146	-	13,146
Support Services	4,825	-	4,825
Non-instructional programs	10	632	642
Other expenses	<u>1,855</u>	<u>-</u>	<u>1,855</u>
Total expenses	<u>19,836</u>	<u>632</u>	<u>20,468</u>
Change in net assets	<u>59</u>	<u>59</u>	<u>118</u>

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$19,894,745 and expenses were \$19,722,677. The District reduced discretionary spending, and relied on increased revenues from grants in an effort to keep expenditures as close as possible to revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	13,146	9,529
Support Services	4,825	4,773
Non-instructional programs	10	10
Other expenditures	<u>1,855</u>	<u>1,110</u>
Totals	<u>19,836</u>	<u>15,422</u>

- The cost financed by users of the District's programs was \$1,898,832.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,972,288.
- The net cost of governmental activities was financed with \$5,590,341 in property tax, \$8,733,027 in state foundation aid, and \$89,744 in interest income.

## Proprietary-Type Activities

Revenues for the District's School Nutrition Fund were \$690,425 and expenses were \$631,777. The revenues include: charges for services, contributions, and federal and state reimbursements.

## Fiduciary Fund Activities

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Boone Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$13,701,635, which is more than last year's ending fund balance of \$628,171.

- The District has been trying to control its General Fund balance by holding the line on discretionary spending and obtaining outside grants.
- The District issued \$12,950,000 in bonds that was virtually all unspent at year end.
- A midyear cut in state funding prevented the District from ending the year with a positive balance in the General Fund.

- The total elimination of Phase III and technology funding from the state has made it difficult to maintain staff development for teachers and keep the District up to date with the latest technology.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

It is the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. Expenditures exceeded the amounts budgeted primarily due to preliminary expenditures incurred for the middle school building project.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of fiscal year 2004, the District has invested more than \$20,000,000 in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation expense for the year exceeded \$790,000.

### **Long-term Debt**

The District makes principal and interest payments yearly on capital loan notes using property tax dollars obtained through the PPEL levy. These refinanced during the year at a savings of over \$50,000 over the remaining 5 years.

The District issued \$12,500,000 in general obligation bonds during the year. This money will be used for the building of a new middle school building. Payments will be made primarily with proceeds of the Boone County one cent school infrastructure local option sales tax.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District levied a cash reserve levy of \$425,129 for fiscal year 2005.
- Successful grant applications will allow continuation or expansion of programs. Declining enrollment will force the District to look for areas in which to trim the General Fund budget.
- Iowa's public schools were notified in October 2003 that the state would make an immediate 2.5% across-the-board reduction in funding for the 2004 fiscal year.
- Unfunded mandates such as "No Child Left Behind," and "GASB34" are making it very difficult for schools to keep adequate staffing and provide the necessary instructional materials.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mick Heath, School Business Manager, Boone Community Schools, 500 7<sup>th</sup> Street, Boone, Iowa 50036.

## Basic Financial Statements

## BOONE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	14,137,745	106,852	14,244,597
Receivables:			
Property tax:			
Current year	68,044	-	68,044
Succeeding year	5,499,760	-	5,499,760
Income surtax	702,500	-	702,500
Due from other governments	222,519	-	222,519
Other receivables	915,148	-	915,148
Inventories	-	42,107	42,107
Restricted assets (note 9):			
ISCAP investments	2,010,840	-	2,010,840
Capital assets, net of accumulated depreciation (note 3)	8,335,663	29,482	8,365,145
<b>Total assets</b>	<b>31,892,219</b>	<b>178,441</b>	<b>32,070,660</b>
<b>Liabilities</b>			
Accounts payable	27,740	-	27,740
Accrued salary and benefits	1,624,921	-	1,624,921
Accrued interest payable	180,726	-	180,726
ISCAP warrants payable (note 9)	2,000,000	-	2,000,000
Deferred revenue:			
Succeeding year property tax	5,499,760	-	5,499,760
Succeeding year income surtax	702,500	-	702,500
Long term liabilities:			
Portion due within one year:			
Capital loan notes	200,000	-	200,000
General obligation bonds payable	370,000	-	370,000
Portion due after one year:			
Capital loan notes	865,000	-	865,000
General obligation bonds payable	12,580,000	-	12,580,000
<b>Total liabilities</b>	<b>24,050,647</b>	<b>-</b>	<b>24,050,647</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,270,663	29,482	7,300,145
Reserved for:			
Capital projects	10,262	-	10,262
Physical Plant and Equipment Levy	640,619	-	640,619
Unreserved	(79,972)	148,959	68,987
<b>Total net assets</b>	<b>7,841,572</b>	<b>178,441</b>	<b>8,020,013</b>

See notes to financial statements.

## BOONE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

	Program Revenues						Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$	\$
<b>Functions/Programs</b>							
Governmental activities:							
Instruction:							
Regular instruction	8,626,001	1,442,946	899,939	-	(6,283,116)	-	(6,283,116)
Special instruction	3,581,147	455,531	528,983	-	(2,596,633)	-	(2,596,633)
Other instruction	939,236	-	289,646	-	(649,590)	-	(649,590)
	<u>13,146,384</u>	<u>1,898,477</u>	<u>1,718,568</u>	<u>-</u>	<u>(9,529,339)</u>	<u>-</u>	<u>(9,529,339)</u>
Support services:							
Student services	687,109	-	11,794	-	(675,315)	-	(675,315)
Instructional staff services	732,980	-	-	-	(732,980)	-	(732,980)
Administration services	1,614,488	-	-	-	(1,614,488)	-	(1,614,488)
Operation and maintenance of plant services	1,486,707	-	39,264	-	(1,447,443)	-	(1,447,443)
Transportation services	303,199	355	-	-	(302,844)	-	(302,844)
	<u>4,824,483</u>	<u>355</u>	<u>51,058</u>	<u>-</u>	<u>(4,773,070)</u>	<u>-</u>	<u>(4,773,070)</u>
Non-instructional programs:							
Food service operations	9,831	-	-	-	(9,831)	-	(9,831)
Other expenditures:							
Facilities acquisition and construction	134,480	-	-	91,322	(43,158)	-	(43,158)
Long-term debt service	275,528	-	1,616	-	(273,912)	-	(273,912)
AEA flowthrough	652,690	-	652,690	-	-	-	-
Depreciation (unallocated) *	792,730	-	-	-	(792,730)	-	(792,730)
	<u>1,855,428</u>	<u>-</u>	<u>654,306</u>	<u>91,322</u>	<u>(1,109,800)</u>	<u>-</u>	<u>(1,109,800)</u>
Total governmental activities	19,836,126	1,898,832	2,423,932	91,322	(15,422,040)	-	(15,422,040)

**BOONE COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2004

	Program Revenues						
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Business-Type activities:							
Non-instructional programs:							
Nutrition services	631,777	417,827	272,598	-	-	58,648	58,648
Total	20,467,903	2,316,659	2,696,530	91,322	(15,422,040)	58,648	(15,363,392)
<b>General revenues:</b>							
Property tax levied for:							
General purposes					4,657,569	-	4,657,569
Management fund					320,926	-	320,926
Capital outlay					611,846	-	611,846
Income surtax					701,120	-	701,120
Local option sales tax					340,153	-	340,153
Unrestricted state grants					8,733,027	-	8,733,027
Unrestricted investment earnings					89,744	-	89,744
Other					26,274	-	26,274
Total general revenue					15,480,659	-	15,480,659
Change in net assets					58,619	58,648	117,267
Net assets beginning of year					7,782,953	119,793	7,902,746
Net assets end of year					7,841,572	178,441	8,020,013

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.



## BOONE COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Capital Projects	Non-major	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	407,298	12,894,256	836,191	14,137,745
Receivables:				
Property tax:				
Current year	56,700	-	11,344	68,044
Succeeding year	4,791,805	-	707,955	5,499,760
Income surtax	702,500	-	-	702,500
Interfund receivable	12,851	-	-	12,851
Due from other governments	156,513	66,006	-	222,519
Other receivables	906,204	-	8,944	915,148
Restricted assets (note 9):				
ISCAP investments	2,010,840	-	-	2,010,840
<b>Total assets</b>	<u>9,044,711</u>	<u>12,960,262</u>	<u>1,564,434</u>	<u>23,569,407</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	27,740	-	-	27,740
Accrued salary and benefits	1,624,921	-	-	1,624,921
Interfund payable	-	-	12,851	12,851
ISCAP warrants payable (note 9)	2,000,000	-	-	2,000,000
Deferred revenue:				
Succeeding year property tax	4,791,805	-	707,955	5,499,760
Succeeding year income surtax	702,500	-	-	702,500
Total liabilities	<u>9,146,966</u>	<u>-</u>	<u>720,806</u>	<u>9,867,772</u>
Fund balances:				
Reserved for:				
Debt service	-	-	132,804	132,804
Capital projects	-	12,960,262	-	12,960,262
Unreserved, undesignated	(102,255)	-	710,824	608,569
Total fund equity and other credits	<u>(102,255)</u>	<u>12,960,262</u>	<u>843,628</u>	<u>13,701,635</u>
<b>Total liabilities and fund balances</b>	<u>9,044,711</u>	<u>12,960,262</u>	<u>1,564,434</u>	<u>23,569,407</u>

See notes to financial statements.

## BOONE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>		\$ 13,701,635
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,335,663
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds		(180,726)
Long-term liabilities, capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Capital loan notes	(1,065,000)	
General obligation bonds payable	<u>(12,950,000)</u>	
		<u>(14,015,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>		<u>\$ 7,841,572</u>

See notes to financial statements.

## BOONE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2004

	General	Capital Projects	Non-major	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,358,689	340,153	932,772	6,631,614
Tuition	1,898,477	-	-	1,898,477
Other	300,622	91,322	267,395	659,339
State sources	10,133,019	-	964	10,133,983
Federal sources	571,332	-	-	571,332
Total revenues	18,262,139	431,475	1,201,131	19,894,745
Expenditures:				
Instruction:				
Regular instruction	8,546,221	-	298,981	8,845,202
Special instruction	3,592,001	-	-	3,592,001
Other instruction	698,670	-	240,566	939,236
	12,836,892	-	539,547	13,376,439
Support services:				
Student services	687,109	-	-	687,109
Instructional staff services	732,980	-	-	732,980
Administration services	1,589,791	-	24,697	1,614,488
Operation and maintenance of plant services	1,422,714	-	205,740	1,628,454
Transportation services	303,199	-	-	303,199
	4,735,793	-	230,437	4,966,230
Non-instructional programs:				
Food services operations	9,831	-	-	9,831
Other expenditures:				
Facilities acquisition and construction	-	372,609	113,680	486,289
Long-term debt services	-	-	231,198	231,198
AEA flowthrough	652,690	-	-	652,690
	652,690	372,609	344,878	1,370,177
Total expenditures	18,235,206	372,609	1,114,862	19,722,677
Excess of revenues over expenditures	26,933	58,866	86,269	172,068
Other financing sources (uses):				
Net proceeds from issuance of long-term debt	-	12,901,396	-	12,901,396
Operating transfers in	-	-	240,378	240,378
Operating transfers out	-	-	(240,378)	(240,378)
Total other financial sources (uses)	-	12,901,396	-	12,901,396
Excess of revenues and other financing sources over expenditures and other financing uses	26,933	12,960,262	86,269	13,073,464
Fund balances beginning of year	(129,188)	-	757,359	628,171
Fund balances end of year	(102,255)	12,960,262	843,628	13,701,635

## BOONE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 13,073,464

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 723,611	
Depreciation expense	<u>(792,730)</u>	(69,119)

Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(180,726)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(12,950,000)
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.	<u>185,000</u>
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<b>Change in net assets of governmental activities (Exhibit B)</b>	<u><u>\$ 58,619</u></u>
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## BOONE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund Types

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>417,827</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	185,271
Benefits	59,994
Services	4,823
Supplies	377,165
Depreciation	<u>4,524</u>
Total operating expenses	<u>631,777</u>
Operating (loss)	<u>(213,950)</u>
Non-operating revenues:	
Interest on investments	1,149
State sources	9,479
Federal sources	<u>261,970</u>
	<u>272,598</u>
Change in net assets	58,648
Net assets beginning of year	<u>119,793</u>
Net assets end of year	<u><u>178,441</u></u>

See notes to financial statements.

## BOONE COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	417,827
Cash payments to employees for services	(256,073)
Cash payments to suppliers for goods or services	<u>(346,967)</u>
Net cash (used in) operating activities	<u>(185,213)</u>
Cash flows from non-capital financing activities:	
State grants received	9,479
Federal grants received	<u>225,264</u>
Net cash provided by non-capital financing activities	<u>234,743</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(12,700)
Cash flows from investing activities:	
Interest on investments	<u>1,149</u>
Net increase in cash and cash equivalents	37,979
Cash and cash equivalents beginning of year	<u>68,873</u>
Cash and cash equivalents end of year	<u><u>106,852</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(213,950)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,524
Commodities used	36,706
(Increase) in inventory	(1,685)
(Decrease) in accrued payroll and benefits	<u>(10,808)</u>
	<u><u>(185,213)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>106,852</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$36,706

See notes to financial statements.

## BOONE COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2003

	Private Purpose Trusts
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	<u>114,530</u>
<b>Total assets</b>	<u>114,530</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>114,530</u>
<b>Total net assets</b>	<u><u>114,530</u></u>

See notes to financial statements.

## BOONE COMMUNITY SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2003

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Miscellaneous	10,813
Total additions	<u>10,813</u>
Deductions:	
Support services:	
Scholarships	6,885
Total deductions	<u>6,885</u>
Change in net assets	3,928
Net assets beginning of year	<u>110,602</u>
Net assets end of year	<u><u>114,530</u></u>

See notes to financial statements.



**BOONE COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2004**

**(1) Summary of Significant Accounting Policies**

Boone Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, Boone Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Boone Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

## E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions.

### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

### **(3) Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	309,432	-	319,432
Capital assets being depreciated:				
Buildings	14,465,663	42,377	-	14,508,040
Furniture and Equipment	5,769,433	371,802	13,500	6,127,735
Total capital assets being depreciated	20,235,096	414,179	13,500	20,635,775
Less accumulated depreciation for:				
Buildings	8,419,619	164,348	-	8,583,967
Furniture and Equipment	3,420,695	628,382	13,500	4,035,577
Total accumulated depreciation	11,840,314	792,730	13,500	12,619,544
Total capital assets being depreciated, net	8,394,782	(378,551)	-	8,016,231
Governmental activities, capital assets, net	\$ 8,404,782	(69,119)	-	8,335,663

**(4) Capital Loan Notes**

During fiscal year 2004, the District issued \$1,065,000 of Capital Loan Notes. These were used to payoff existing capital loan notes. The original proceeds were used for the construction of additional elementary school classrooms. Estimated savings of the reissuance are \$50,000. The notes will be paid for from proceeds of the District's \$1.34 Voted Physical Plant and Equipment Levy. Details of the District's Capital Loan Notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2005	2.75	200,000	30,545	230,545
2006	2.75	210,000	25,045	235,045
2007	2.75	210,000	19,270	229,270
2008	2.80	215,000	13,495	228,495
2009	3.25	<u>230,000</u>	<u>7,475</u>	<u>237,475</u>
Total		<u>1,065,000</u>	<u>95,830</u>	<u>1,160,830</u>

**(5) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	<u>Capital Loan Notes</u>	<u>2003 GO Bonds</u>	<u>2004 GO Bonds</u>	<u>Total</u>
Balance beginning of year	\$1,250,000	-	-	1,250,000
Additions	1,065,000	5,000,000	7,950,000	14,015,000
Reductions	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>
Balance end of year	<u>\$1,065,000</u>	<u>5,000,000</u>	<u>7,950,000</u>	<u>14,015,000</u>

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$728,043, \$718,178, and \$699,921 respectively, equal to the required contributions for each year.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$652,690 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## (8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2004 totaled \$67,130.

## (9) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Wells Fargo Bank, Iowa, N.A, and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Wells Fargo maintains ISCAP accounts for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Date(s) Funds are Available</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04A	6/20/03	6/20/04	\$ -	-	-	-
2004-05A	6/30/04	6/30/05	<u>2,010,840</u>	-	<u>2,000,000</u>	-
Total			<u>\$2,010,840</u>	-	<u>2,000,000</u>	-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. Advance activity for the year ended June 30, 2004 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
2003-04A	\$ -	<u>1,500,000</u>	<u>1,500,000</u>	\$ -

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.00%	1.050%
2004-05A	3.00%	2.463%

## (10) Risk Management

Boone Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Each member's contributions to ISEBA funds current operations and provided capital.

Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$871,071.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Boone Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Commitments**

The voters of the District approved a \$12,950,000 bond issue for the construction of a middle school building. No bids had been let as of June 30, 2004.

**(12) Financial Condition**

The District's General Fund had a deficit fund balance of \$102,255 at June 30, 2004, and the management fund had a deficit fund balance of \$8,944 at June 30, 2004.

**(13) Bonds Payable**

The District issued two separate bond issues totaling \$12,950,000 for the construction for a new middle school building.

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2004			
	Rates	Interest	Principal	Total
	%	\$	\$	\$
2005	3.50	297,390	370,000	667,390
2006	3.50	284,440	470,000	754,440
2007	3.50	267,990	485,000	752,990
2008	3.50	251,015	510,000	761,015
2009	3.50	233,165	525,000	758,165
2010-2014	3.50-3.60	876,375	2,915,000	3,791,375
2015-2019	3.70-4.20	436,725	1,150,000	1,586,725
2020-2024	4.25-4.50	<u>274,940</u>	<u>1,525,000</u>	<u>1,799,940</u>
Total		<u>2,922,040</u>	<u>7,950,000</u>	<u>10,872,040</u>



Year  
Ending  
June 30,

Bond Issue of November 1, 2003

	Rates	Interest	Principal	Total
	%	\$	\$	\$
2005	-	306,170	-	306,170
2006	-	216,120	-	216,120
2007	-	216,120	-	216,120
2008	-	216,120	-	216,120
2009	-	216,120	-	216,120
2010-2014	-	1,080,600	-	1,080,600
2015-2019	4.00-4.30	945,310	2,295,000	3,240,310
2020-2024	4.40-4.50	<u>309,430</u>	<u>2,705,000</u>	<u>3,014,430</u>
Total		<u>3,505,990</u>	<u>5,000,000</u>	<u>8,505,990</u>

## Required Supplementary Information

**BOONE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	9,189,430	418,976	9,608,406	9,564,071	9,564,071	44,335
State sources	10,133,983	9,479	10,143,462	10,552,473	10,552,473	(409,011)
Federal sources	571,332	261,970	833,302	570,000	570,000	263,302
Total revenues	19,894,745	690,425	20,585,170	20,686,544	20,686,544	(101,374)
Expenditures:						
Instruction	13,376,439	-	13,376,439	13,355,511	13,355,511	(20,928)
Support services	4,966,230	-	4,966,230	5,489,378	5,489,378	523,148
Non-instructional programs	9,831	631,777	641,608	680,532	680,532	38,924
Other expenditures	1,370,177	-	1,370,177	994,664	994,664	(375,513)
Total expenditures	19,722,677	631,777	20,354,454	20,520,085	20,520,085	165,631
Excess of revenues over expenditures	172,068	58,648	230,716	166,459	166,459	64,257
Other financing sources (uses)	12,901,396	-	12,901,396	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	13,073,464	58,648	13,132,112	166,459	166,459	64,257
Balance beginning of year	628,171	119,793	747,964	156,102	156,102	3,347,565
Balance end of year	13,701,635	178,441	13,880,076	322,561	322,561	3,411,822

See accompanying independent auditor's report.

**BOONE COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

The District exceeded the amounts budgeted in the instruction and other expenditures functions.

## Other Supplementary Information

## BOONE COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Non-major Governmental Funds

June 30, 2004

	Special Revenue				
	Management	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	-	70,205	633,182	132,804	836,191
Property tax receivable:					
Current year	3,907	-	7,437	-	11,344
Succeeding year	55,000	-	597,342	55,613	707,955
Other receivables	-	8,944	-	-	8,944
<b>Total assets</b>	<u>58,907</u>	<u>79,149</u>	<u>1,237,961</u>	<u>188,417</u>	<u>1,564,434</u>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Interfund payable	12,851	-	-	-	12,851
Deferred revenue:					
Succeeding year property tax	55,000	-	597,342	55,613	707,955
	<u>67,851</u>	<u>-</u>	<u>597,342</u>	<u>55,613</u>	<u>720,806</u>
Fund equity:					
Reserved for debt service	-	-	-	132,804	132,804
Unreserved, undesignated fund balance	(8,944)	79,149	640,619	-	710,824
	<u>(8,944)</u>	<u>79,149</u>	<u>640,619</u>	<u>132,804</u>	<u>843,628</u>
<b>Total liabilities and fund equity</b>	<u>58,907</u>	<u>79,149</u>	<u>1,237,961</u>	<u>188,417</u>	<u>1,564,434</u>

See accompanying independent auditor's report.

## BOONE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Non-major Governmental Funds

Year ended June 30, 2004

	Special Revenue				
	Management	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	320,926	-	611,846	-	932,772
Other	-	227,479	38,300	1,616	267,395
State sources	340	-	624	-	964
Total revenues	321,266	227,479	650,770	1,616	1,201,131
Expenditures:					
Instruction:					
Regular instruction	298,981	-	-	-	298,981
Co-curricular instruction	-	240,566	-	-	240,566
Support services:					
Administration services	24,697	-	-	-	24,697
Plant operation and maintenance	9,803	-	195,937	-	205,740
Other expenditures:					
Facilities acquisition and construction	-	-	113,680	-	113,680
Long-term debt:					
Services	-	-	-	300	300
Principal	-	-	-	185,000	185,000
Interest	-	-	-	45,898	45,898
Total expenditures	333,481	240,566	309,617	231,198	1,114,862
Excess (deficiency) of revenues over (under) expenditures	(12,215)	(13,087)	341,153	(229,582)	86,269
Other financing sources (uses):					
Operating transfers in	-	-	-	240,378	240,378
Operating transfers out	-	-	(240,378)	-	(240,378)
Total operating financing sources (uses)	-	-	(240,378)	240,378	-
Excess of revenues and other financing sources over expenditures and other financing uses	(12,215)	(13,087)	100,775	10,796	86,269
Fund balances beginning of year	3,271	92,236	539,844	122,008	757,359
Balance end of year	(8,944)	79,149	640,619	132,804	843,628

See accompanying independent auditor's report.

## BOONE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Activity Fund	(331)	-	-	(331)
Activity Miscellaneous	(10,419)	490	2,283	(12,212)
Art Club	441	-	-	441
Athletics Miscellaneous	(5,666)	60,546	79,994	(25,114)
Athletic State Sponsored Tournaments	6,122	1,442	-	7,564
Athletic Cheerleading	1,982	15,308	6,494	10,796
Band Uniforms	4,176	23	769	3,430
Baseball	(8,559)	1,069	3,710	(11,200)
Boys Basketball	4,757	8,108	4,801	8,064
Boys Cross Country	(1,210)	703	1,063	(1,570)
Boys Golf	(2,770)	60	933	(3,643)
Boys Swimming	(176)	837	789	(128)
Boys Tennis	(1,895)	367	1,015	(2,543)
Boys Track	(1,008)	2,814	3,045	(1,239)
Bryant	620	-	195	425
Chess Club	159	-	-	159
Class Day	250	-	-	250
Class of 2001	12	-	-	12
Class of 2004	-	75	41	34
Class of 2005	-	75	73	2
Class of 2006	-	75	33	42
Class of 2007	-	75	33	42
Construction Tech	181	794	215	760
Dolphins	1,689	-	-	1,689
Donations - Middle School	-	736	-	736
Drama/Musical	2,701	2,055	2,256	2,500
Drill Team	2,993	2,710	2,049	3,654
Elementary Library	293	341	-	634
FFA Vending	-	4,867	7,696	(2,829)
Football	20,278	8,464	6,252	22,490
Foreign Language Club	2,585	6,232	1,834	6,983
Franklin - Jump Rope	382	-	15	367
Franklin - Box Tops	5,953	1,809	779	6,983
Future Farmers	893	33,852	35,855	(1,110)
Future Homemakers	95	-	-	95
Girls Basketball	769	3,789	3,634	924
Girls Cross Country	(1,392)	703	1,058	(1,747)
Girls Golf	(1,255)	-	567	(1,822)
Girls Swimming	(1,850)	3,629	2,997	(1,218)
Girls Tennis	(2,310)	-	754	(3,064)
Girls Track	2,741	2,931	2,453	3,219
ID Cards	18,099	7,584	164	25,519



**BOONE COMMUNITY SCHOOL DISTRICT**

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	3,390	1,022	-	4,412
Intramurals	1,022	-	-	1,022
Iowa Games	-	1,000	997	3
Journalism - Scroll	24,637	13,965	22,222	16,380
Junior Achievement	585	656	773	468
Library	2,306	2,842	2,658	2,490
Lincoln/Garfield	936	901	979	858
Lockers	731	-	-	731
Lowell	260	1,572	799	1,033
MOC	1,783	1,411	1,456	1,738
Musicals	396	-	-	396
National Honor Society	712	312	352	672
Page	533	48	-	581
Page/Bryant Art Fundraiser	892	-	-	892
Peer Helpers	3,795	855	1,387	3,263
Principal Activity Miscellaneous	8,587	2,692	6,179	5,100
Prom	5,006	7,057	6,607	5,456
RC Vocal JH	(500)	500	-	-
RC Woodworking	(6,427)	-	-	(6,427)
RC Recycle	67	-	-	67
SADD	418	240	434	224
SADD MS	622	-	-	622
Softball	990	2,160	2,650	500
Speech/Debate	1,271	51	289	1,033
Spotlight	856	1,072	592	1,336
Student Congress	1,431	1,749	1,716	1,464
Student Council	2,090	2,836	3,672	1,254
Swimsuits	1,288	539	172	1,655
Thespians	1,236	959	998	1,197
Volleyball	(6,273)	3,759	6,006	(8,520)
Wrestling	(1,858)	3,989	2,602	(471)
Yearbook MS	2,124	2,729	3,177	1,676
	<u>92,236</u>	<u>227,479</u>	<u>240,566</u>	<u>79,149</u>
Total	<u>92,236</u>	<u>227,479</u>	<u>240,566</u>	<u>79,149</u>

See accompanying independent auditor's report.

## BOONE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Peer Helper	500	400	500	400
Goeppinger Awards	(1,229)	-	138	(1,367)
Goeppinger Legacy	6,589	80	-	6,669
Goeppinger Trust	1,015	20	-	1,035
Carlson Memorial	145	-	-	145
Curry Scholarship	1,504	-	100	1,404
Johnson Memorial	3,485	107	500	3,092
Grider Scholarship	3,340	-	400	2,940
Wall Street	207	-	-	207
Beverlin Scholarship	7,033	139	551	6,621
Peterson Scholarship	2	-	100	(98)
Licklider Scholarship	1,561	-	-	1,561
Greco Scholarship	8,906	-	250	8,656
Pritchard Scholarship	9,146	100	400	8,846
Scholl Memorial Concert	11,470	591	-	12,061
Trust Interest	1,178	366	-	1,544
Mallas Family Scholarship	620	5,500	600	5,520
Acme Printing Scholarship	605	-	-	605
Student Council Scholarship	-	500	-	500
McHugh Scholarship	653	-	-	653
Donald Hubby Memorial	52,131	2,010	3,000	51,141
Business Education Scholarship	155	-	-	155
Kevin Puntenney Scholarship	719	-	96	623
Class of 1951 Scholarship	867	500	250	1,117
Steven West Memorial	-	500	-	500
Totals	<u>110,602</u>	<u>10,813</u>	<u>6,885</u>	<u>114,530</u>

See accompanying independent auditor's report.

## BOONE COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	5,358,689	5,487,852	5,118,648	3,948,224
Special revenue/debt service	932,772	862,344	803,716	1,196,151
Capital projects	340,153	-	-	-
	<u>6,631,614</u>	<u>6,350,196</u>	<u>5,922,364</u>	<u>5,144,375</u>
State sources:				
General	10,133,019	10,031,875	9,931,921	10,384,306
Special revenue/debt service	964	913	962	3,275
School nutrition	9,479	8,871	8,775	9,255
	<u>10,143,462</u>	<u>10,041,659</u>	<u>9,941,658</u>	<u>10,396,836</u>
Federal sources:				
General	571,332	533,702	430,388	322,423
School nutrition	261,970	312,906	225,881	214,046
	<u>833,302</u>	<u>846,608</u>	<u>656,269</u>	<u>536,469</u>
Total	<u>17,608,378</u>	<u>17,238,463</u>	<u>16,520,291</u>	<u>16,077,680</u>

See accompanying independent auditor's report.

## BOONE COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY04	<u>36,706</u>
School Nutrition Cluster Programs:			
Special Milk Program for Children	10.556	FY04	316
School Breakfast Program	10.553	FY04	26,486
National School Lunch Program	10.555	FY04	<u>199,246</u>
			<u>226,048</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0729-G-04	218,020
Title I Grants to Local Educational Agencies	84.010	0729-GC-04	<u>36,332</u>
			<u>254,352</u>
Innovative Educational Program Strategies (Title V)	84.298	FY04	8,909
Grants for Assessments and Related Activities	84.369	FY04	6,756
Improving Teacher Quality - Grants to States	84.348	FY04	93,981
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY04	6,503
Star Schools	84.203	FY04	23,508
Vocational Education - Basic Grants to States	84.048	FY04	36,296
Enhancing Education Through Technology	84.318	FY04	3,025
Area Education Agency 8:			
Special Education - Grants to States (IDEA Part B)	84.027	FY04	<u>90,247</u>
Total			<u><u>786,331</u></u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Boone Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
Boone Community School District:

We have audited the financial statements of the Boone Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 10, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Boone Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except 03-IV-K.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boone Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Boone Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-II-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Boone Community School District and other parties to whom Boone Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Boone Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK  
Certified Public Accountant

March 10, 2005

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance**

To the Board of Education of the  
Boone Community School District:

Compliance

We have audited the compliance of Boone Community School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Boone Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Boone Community School District's management. Our responsibility is to express an opinion on Boone Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Boone Community School District's compliance with those requirements.

In our opinion Boone Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Boone Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Boone Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item 04-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Boone Community School District and other parties to whom Boone Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK  
Certified Public Accountant

March 10, 2005



**BOONE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Education AgenciesSchool Nutrition Clustered Programs:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.553 - School Breakfast Program
  - CFDA Number 10.556 - Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Boone Community School District did not qualify as a low-risk auditee.

BOONE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part II: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

04-II-A      SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

BOONE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

CFDA Number: 84.010 Title I Grants to Local Education Agencies

Agency Numbers: 0729-G-04, 0729-GC-04

Federal Award Year: 2004

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

10.556 Special Milk Program for Children

Federal Award Year: 2004

US Department of Agriculture

Passed through Iowa Department of Education

04-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

04-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-IV-B Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the amended certified budget amounts in the instruction and other expenditures.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

BOONE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued) :**

- 04-IV-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-IV-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 04-IV-E      Business Transactions - No business transactions between the District and District officials or employees were noted.
- 04-IV-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-IV-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 04-IV-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-IV-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-IV-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- 04-IV-K      Financial Condition - The District's General Fund had a deficit fund balance of \$102,255 at June 30, 2004.
- Recommendation - We recommend that the District investigate alternatives to return these funds to a positive financial condition.
- Response - We are taking steps to rectify this.
- Conclusion - Response accepted.

